

Message Text

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DRAFTED BY COM/BEA: GEORGE R. KRUER/JAW

APPROVED BY EB/OCA/CM/JSIMMONS

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COM/BEA: JJBAME

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FM SECSTATE WASHDC

TO AMEMBASSY CARACAS PRIORITY

C O N F I D E N T I A L STATE 299430

E.O. 11652: GDS

TAGS: ENIV, VE

SUBJECT: U.S. DIRECT INVESTMENT IN PETROLEUM IN VENEZUELA

REF: CARACAS 12984

1. MOST IMPORTANT OBSERVATION IS THAT NET BOOK VALUE AND THE U.S. DIRECT INVESTMENT POSITION MEASURE VASTLY DIFFERENT THINGS. NET BOOK VALUE IS AN ACCOUNTING TERM WHICH IN NORMAL USE MEANS THE NET WORTH OF A BUSINESS ENTERPRISE. U.S. DIRECT INVESTMENT POSITION IS A SPECIALIZED TERM WHICH IS CONCEPTUALLY QUITE DIFFERENT; A BRIEF DEFINITION IS "THE VALUE AT YEAREND OF U.S. DIRECT INVESTORS' NET CLAIMS ON THE EQUITY OF, AND NET RECEIVABLES (SHORT-TERM AND LONG-TERM) DUE FROM, FOREIGN AFFILIATES." NOTE THAT USE OF THE FORMER TITLE FOR THIS ITEM--BOOK VALUE OF U.S. DIRECT INVESTMENT--HAS BEEN DISCONTINUED, IN PART TO AVOID THIS TYPE OF CONFUSION.

2. THE APPARENT DROP IN PETROLEUM INVESTMENT FROM 1,341 MILLION DOLLARS AT THE END OF 1973, AS PUBLISHED IN AUGUST, 1974, TO 659 MILLION DOLLARS AT THE END OF 1974, AS
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PUBLISHED IN OCTOBER, 1975 IS NOT A VALID COMPARISON

BECAUSE OF A REVISION IN THE SERIES BETWEEN THE TWO PUBLICATIONS. THE DATA IN THE 1974 PUBLICATION WERE BENCHMARKED TO THE 1957 CENSUS OF U.S. DIRECT INVESTMENTS ABROAD; THE DATA IN THE 1975 PUBLICATION WERE BENCHMARKED TO THE 1966 CENSUS OF U.S. DIRECT INVESTMENTS ABROAD FOR 1966 FORWARD. THE 1966 FIGURE FOR PETROLEUM INVESTMENT IN VENEZUELA WAS 1,862 MILLION DOLLARS IN THE OLD SERIES AND 1,544 IN THE NEW SERIES; THIS 300 MILLION DOLLAR DOWNWARD REVISION WOULD, MORE OR LESS, BE CARRIED FORWARD TO LATER YEARS. THUS THE 1973 REVISED POSITION FIGURE, WHILE NOT PUBLISHED FOR DISCLOSURE REASONS, IS IN THE RANGE OF 1.0 TO 1.1 BILLION DOLLARS, NOT 1,341 AS PREVIOUSLY PUBLISHED, AND THUS THE DROP IN 1974 IS 350 MILLION DOLLARS TO 450 MILLION DOLLARS.

3. THE ACTUAL DROP IS THE RESULT OF RECORDED NET CAPITAL INFLOWS TO THE UNITED STATES, RATHER THAN THE NORMAL NET CAPITAL OUTFLOWS. WHILE CAPITAL FLOWS FOR THE PETROLEUM INDUSTRY ARE NOT SHOWN SEPARATELY, AS CAN BE SEEN IN TABLE 15 OF THE OCTOBER 1975 SURVEY, CAPITAL INFLOWS TO THE U.S. FROM VENEZUELA FOR ALL INDUSTRIES WERE 367 MILLION DOLLARS. KISSINGER

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